

**PRIVILEGED, CONFIDENTIAL SETTLEMENT COMMUNICATION**

***BOARD OF TRUSTEES***

**- OF THE -**

***FIRE FIGHTER'S PENSION AND RELIEF FUND***

**FOR THE CITY OF NEW ORLEANS**

**3520 General De Gaulle Suite 3001**

**NEW ORLEANS, LOUISIANA 70114**

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July 25, 2012

Andrew Kopplin  
First Deputy Mayor and Chief Administrative Officer  
City of New Orleans  
1300 Perdido Street  
New Orleans, LA 70112

Mr. Kopplin:

We are in receipt of your July 19, 2012 letter addressing the continued underfunding of the New Orleans Fire Fighters Pension Fund, specifically the New System. Over the past 18 months of meetings, we have gotten closer on agreements to many of the outstanding issues, including your proposed terms of "governance" of the Fund. As stated repeatedly, the Trustees of the Fund exercised forbearance at the City's request in July 2011 to facilitate meaningful settlement talks on underfunding.

However, we strongly disagree that you have presented a viable plan of action addressing the most critical issue, the City's Annual Required Contribution (ARC). In our numerous meetings we have explained to you that switching to the Entry Age Normal Cost Method with 7 year asset value smoothing and 30 year amortization from the current Aggregate Level Cost Method can be implemented immediately with an immediate reduction in the City's annual contribution by an estimated \$10 - \$11 million. We have also repeatedly emphasized that the additional \$5 million savings the Trustees have committed to can only be applied to the long term unfunded liability and cannot be used, as you propose, as an offset against the current applicable City ARC. The application of this additional savings to the long term unfunded liability will reduce future funding pressure on the level of City contributions required: This savings cannot be taken immediately.

This critical and important fact has been repeatedly stated to you in the presence of the Fund's attorney, Mr. Robein, after consultation with the Fund's Actuary, Mr. Conefry. This was stated in our letter to the Mayor dated July 16, 2012 on page 3 in **bold underlined print**. This was reiterated in our July 19, 2012 meeting held outside the Council Chambers. In that July 19 meeting, we indicated that the shortfall of \$17.2 million in funding for 2012 would not satisfy the projected funding needs for 2013.

We reminded you that under Mayor Mitch Landrieu's Administration the Pension Fund has been cumulatively underfunded by \$34 million. We explained that the now-filed mandamus action would seek \$17.5 million for 2012 and ultimately \$32.2 million for 2013 (should the underfunding persist) for a total of \$49.7 million. We again reminded you the Fund's proposal, prior to filing the writ of mandamus, could be "0" dollars in 2012 and \$21.2 million in 2013, should the City and the Trustees come to terms on funding, coupled with changes in actuarial methodology. This is a fair and viable plan you refused to accept. We hope you will reconsider the \$21.2 million appropriation for the 2013 Budget.

We look forward to reaching a shared understanding between the City and our current and retired Fire Fighters to ensure there is a viable, sustainable and affordable retirement system for Fire Fighters now and in the future.

Sincerely,



Richard J. Hampton, Jr.  
CEO/Secretary-Treasurer  
Acting on behalf of the  
Board of Trustees as  
directed by majority action.

Cc: Honorable Mitchell J. Landrieu, Mayor, City of New Orleans  
Honorable Jacquelyn Brechtel Clarkson, Council President and Councilmember-at-Large  
Honorable Stacy Head, Council Vice President and Councilmember-at-Large  
Honorable Susan G. Guidry, District "A" Councilmember  
Honorable Diana Bajoie, District "B" Councilmember  
Honorable Kristin Gisleson Palmer, District "C" Councilmember  
Honorable Cynthia Hedge-Morrell, District "D" Councilmember